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The Borden Company

ANNUAL REPORT-1950

BOARDS

BOARD OF DIRECTORS

HAROLD W. COMFORT
Executive Vice President

CHARLES A. ECKBURG
Vice President

L. MANUEL HENDLER
*Hendler Creamery Company
Baltimore*

ROBCLIFF V. JONES
New York

CHARLES F. KIESER
Vice President

LESTER LE FEBER
Milwaukee

MADISON H. LEWIS
New York

THEODORE G. MONTAGUE
President

MARCUS M. MUNSILL
Spencer Trask & Co.

THOMAS I. PARKINSON
*President, The Equitable Life
Assurance Society of the United States*

HENNING W. PRENTIS, JR.
*Chairman of Board,
Armstrong Cork Company*

BEVERLEY R. ROBINSON
Milbank, Tweed, Hope & Hadley

HARRY A. ROSS
Vice President

OFFICERS

THEODORE G. MONTAGUE
President

HAROLD W. COMFORT, *Executive Vice President*

CHARLES A. ECKBURG, *Vice President*

WILLIS H. GURLEY, *Vice President*

CHARLES F. KIESER, *Vice President*

WILLIAM F. LEICESTER, *Vice President*

WILLIAM H. MARCUSSEN, *Vice President*

HARRY A. ROSS, *Vice President*

ROY D. WOOSTER, *Vice President*

EVERETT L. NOETZEL, *Treasurer*

THEODORE D. WAIBEL, *Secretary*

CECIL I. CROUSE, *Assistant Vice President*

JOSEPH O. EASTLACK, *Assistant Vice President*

WALTER T. FITZPATRICK, *Assistant Vice President*

HAROLD K. KRAMER, *Assistant Vice President*

STUART PEABODY, *Assistant Vice President*

THEODORE O. HOFMAN, *General Controller*

HARRY L. CAMP, *General Auditor & Asst. Treas.*

A. BROOKS PRAY, *Assistant Treasurer*

DOUGLAS T. ORTON, *Assistant Secretary*

CORPORATE DATA

EXECUTIVE OFFICES

350 Madison Avenue, New York 17, N. Y.

TRANSFER AND DIVIDEND DISBURSING AGENT

THE CHASE NATIONAL BANK OF THE
CITY OF NEW YORK

11 Broad Street, New York 15, N. Y.

COUNSEL

MILBANK, TWEED, HOPE & HADLEY
15 Broad Street, New York 5, N. Y.

REGISTERED OFFICE

117 Main Street, Flemington, N. J.

REGISTRAR

BANKERS TRUST COMPANY
16 Wall Street, New York 5, N. Y.

AUDITORS

HASKINS & SELLS
1 East 44th Street, New York 17, N. Y.

THE PRESIDENT'S REPORT

To Stockholders and Employees



OUR COMPANY MADE GOOD progress in 1950. There is every reason to believe that we shall continue to move ahead. Our development cannot, of course, match the rapid growth of the producers of some defense materials. On the other hand, we shall not face many of the problems which will seriously trouble companies supplying less essential consumer needs.

The demand for our products should increase. Consumer income will continue to rise. More of it will go for food because there will be shortages of some other goods and restrictions on their purchase. Higher prices for some foods should encourage greater use of dairy products providing the same nutrients. Normal population growth and orders from the armed forces, whose consumption averages considerably higher than that of civilians, should further stimulate demand.

Supplies of milk and dairy products are expected to be tight. In the last half of 1950 milk production dropped below the preceding year's level. Production may be helped in 1951 by large feed crops and favorable spring weather. But it may be discouraged by high grain prices and conditions, such as relatively high meat prices, which make other forms of farming more attractive.

The demand for fluid milk is expected to rise, leaving less milk available for manufactured dairy products. Storage stocks of these products were low at the close of 1950. They had been

sharply reduced when large quantities which the Government had acquired in its program to support domestic milk prices were sold to foreign countries.

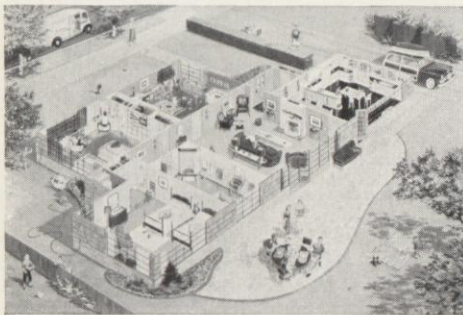
Farm prices of milk and dairy products, which averaged lower than in 1949, rose as the Government thus reduced the amount of products available for domestic use. These prices are expected to average higher than they were in 1950.

Defense orders will help our business to some extent, particularly in industrial products. These orders were not significant in 1950.

Allocations of scarce materials and priorities governing their use will become increasingly important. Cut-backs in supplies of tin-plate and aluminum already have affected us. But in the long run, an orderly allocation program recognizing the essential nature of our products should ease the situation.

Manpower shortages can be expected. Some employees will enter the services, others will be drawn to defense industries by temporary advantages they offer. We must work to offset these shortages. We shall need better equipment to help our working force increase productivity. We must restudy distribution methods and plant facilities to improve efficiency further. To reach these objectives we shall need the cooperative efforts of the entire organization.

Inflation, quickened by the country's vast expenditures for rearmament, will create grave problems. Costs of all kinds will continue to



THE STORY of OUR COVER

Do you know there's a bit of Borden's in nearly every American home? The Elsie label is a familiar one on refrigerator and pantry shelves. Milk, ice cream, cheese, prescription foods, grocery items — everyone recognizes these as Borden's. Other manufacturers turn to Borden's for ingredients used in human foods, and animal feeds as well. But there are those hidden Borden products that can be neither seen nor tasted — like those that helped make the home on our cover. Take the interior — the tables, chairs and chests. Borden glues are used to join and veneer the finest furniture, and bond everything from airplane models to the laminated timbers and millwork of the house itself. The lights? Lamp manufacturers rely on our cements to join glass and metal bases. The phone and TV set? Probably made with our plastic molding compounds. Borden casein sizings are in many household fabrics — and even behind the wallpaper. And the plumbing may be cast from our core binders. Walk into the house and Borden walks with you — our caseinates tan the leather of your shoes. Go out for a drive — your car's brakes have our plastic binders in them. The sales of each hidden Borden product are small compared with the Borden foods which housewives know so well, but these hidden products add up to a tidy volume. More important, their very diversity—and their wide use in American homes—makes the Company's foundation stronger.

advance. Higher prices will tie up more of our funds in inventories and receivables and increase the cost of replacing equipment. Consequently, we shall continue to rely to some extent upon profits to keep the Company's affairs in good order.

Other problems, equally grave, will result from price controls. Price regulation if it is equitable, will recognize that food industry profits are meager and price stability is possible only when wage costs and farm prices also are stable. Charges of profiteering will undoubtedly be raised. But the answer to them will be found in the Company's long record of useful service to consumers and farmers at one of the lowest rates of profit known in industry.

Our confidence in the Company's ability to weather the stormy days ahead is based upon its past history, which covers four wars, and particularly its experience in recent years. Important to any appraisal of the future is our performance during 1950, which is detailed in the report that follows:

Sales There was an increase in the sales of the Company and its consolidated subsidiaries. They amounted to \$631,114,120, a gain of about 3% over 1949 sales of \$613,763,267. This sales improvement was the result of an even greater increase in the output of goods. Prices of many products were less than in 1949 because our customers benefited from the year's slightly lower farm prices.

Profit Our net income declined. It was \$20,147,073, a decrease of 8% from the \$21,890,479 of 1949, the year of the highest

earnings in the Company's history. We earned \$4.69 per share, as compared with \$5.10 in 1949. Our rate of profit was 3.19 cents per dollar of sales, as compared with the 1949 figure of 3.57 cents and the 20-year average of 3.14 cents.

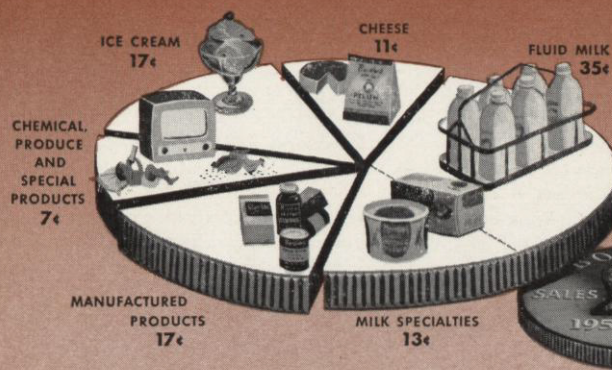
The earnings of our unconsolidated foreign and domestic subsidiaries improved. They amounted to about \$1,350,000 as compared with \$600,000 in 1949. From this source we received dividends of \$200,000 which is included in our net income. None were received in 1949. These operations need to retain earnings to conduct and develop their businesses. For example, construction of an Australian plant will be started in 1951 to serve markets in the Far East, particularly in the sterling area.

Taxes Net income was considerably reduced by the two successive increases in federal corporate taxes. At the time of our estimate of earnings for the first six months of the year, the tax rate was 38%. In September the rate for the entire year was raised to 42%. Then the Excess Profits Tax Act of 1950 was passed by Congress and made retroactive to July 1st. These moves brought our federal income and excess profits taxes to about 45% of our 1950 income, or \$2,100,000 more than they would have been under the rate prevailing at mid-year. Federal and Dominion income taxes totaled \$15,731,165; in 1949 they amounted to \$12,870,762.

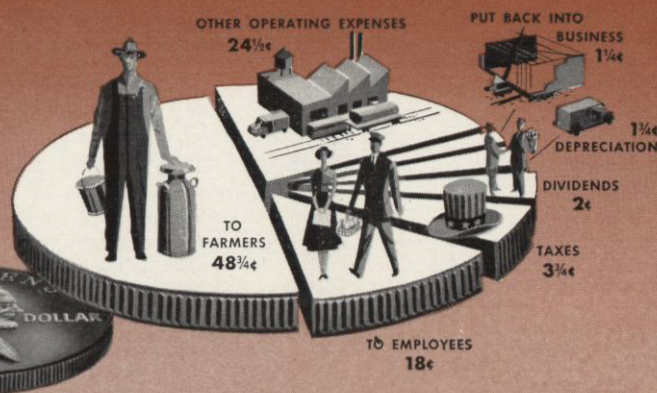
Dividends Our dividends amounted to \$2.80 per share, up 10 cents from 1949. Interim dividends of 60 cents per share were paid on March 1st, June 1st and September 1st and a final dividend of \$1.00 on December 20th. Dividend pay-

The Borden Sales Dollar

Where it came from



Where it went



ments totaled \$12,019,910 as compared with \$11,593,320 in 1949.

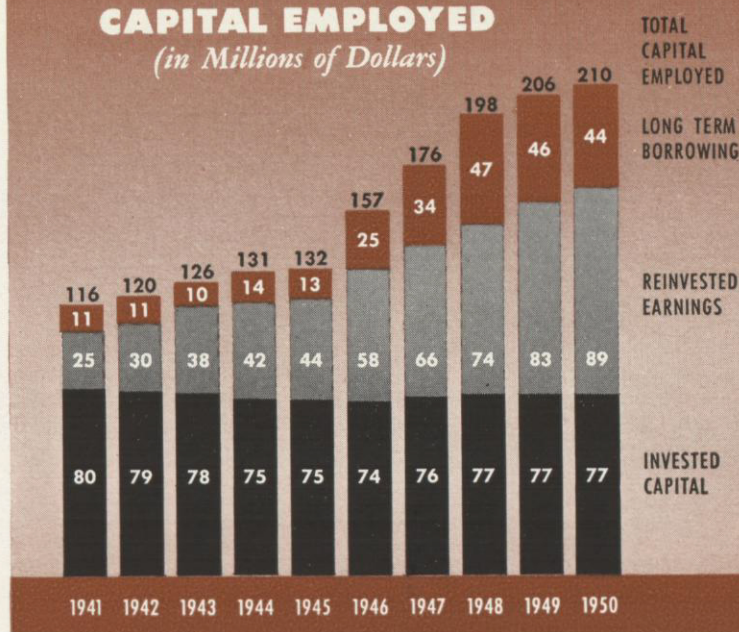
Inventories Our year-end inventories amounted to \$54,906,173. They were about 12% higher than a year earlier, primarily because many items were higher-priced.

In 1939 we adopted the Lifo, or last-in, first-out, method of valuing certain products in our inventories based upon price levels at that time. Before 1950 we had filed our income tax returns with inventory values at average cost or market, whichever was lower. For 1950, the Company will file its income tax return on the Lifo method with inventory values representing costs prevailing at the beginning of 1950. Consequently, Lifo values for book purposes are \$5,469,633 lower than Lifo values for tax purposes.

Net Working Capital Current assets totaled \$138,458,720 and current liabilities \$37,103,615, leaving a balance of \$101,355,105 as net working capital. This was 5% less than the 1949 working capital of \$106,653,894, which was the highest on record. The chief reason for the lowered working capital was the use of funds to pay for capital expenditures.

Capital Expenditures Approximately \$6,000,000 over and above depreciation accruals of about \$10,400,000 was required to finance our capital expenditures during 1950. Authorizations for these purposes are expected to amount to about \$18,000,000 for 1951. These funds will be used chiefly to replace equipment. In addition, however, they are needed for the expan-

CAPITAL EMPLOYED (in Millions of Dollars)



sion of markets and the development of new products. Depreciation accruals will provide only about \$11,350,000 of the sum required. For the remainder we must rely on profits or funds from other sources, or both.

Loans Following a careful study of the Company's current and future financial needs the Board of Directors decided to issue \$60,000,000 of 30-year 27/8% debentures. Proceeds of the sale of these debentures will be used to retire our long-term loans and provide about \$12,739,000 of additional working capital needed in the business. An agreement with the underwriters who will offer these debentures to the public was signed March 6, 1951.

Our promissory notes which are to be retired totaled \$45,800,000 at the close of 1950. These are the \$30,800,000 of 13/4% notes, matur-



Borden's Enriched Biscuits, which are made in new bakeries in Los Angeles and Atlanta, were introduced by Cheese Division early in 1950.



Fay Maple (left), Borden milkman, receives hero's Pastor Medal from N. Y. State Safety Director Ryan for saving Denny Curley (second left) from drowning. Denny's friend, Dave Collins, helped in rescue.



Midwest blizzard couldn't lick Bordenites who served customers 'round the clock. Here's Elmo Huiss after a grueling 24-hour stretch.



Jessie H. Clark (left), President Montague and Ruth Mathews enjoy a good laugh at Quarter Century Club banquet as ladies mark their 25th year of employment at BORDEN'S national headquarters as telephone operator and secretary, respectively.

ing annually until 1956 when the balance of \$21,000,000 is due, and the \$15,000,000 3% note, maturing annually from 1958 with the balance of \$7,500,000 due in 1968.

The debentures will provide more advantageous maturity dates than the outstanding notes.

Plants and Properties Extensive plant improvements were made, and several new plants built or equipped. These include the following: an addition to the Chemical Division's DURITE plant in Philadelphia, Pennsylvania; the new warehouse of the Cheese Division in Chicago, Illinois, and its biscuit factories in Atlanta, Georgia, and Los Angeles, California; and new or remodeled plants, handling fluid milk or ice cream or both, in Akron, Ohio; Lafayette, Indiana; Texarkana, Texas; Long Island City, New York; and Chicago, Illinois.

Capital Stock The ownership of the Company at the close of the year was shared by 51,121 stockholders, as compared with 52,386 a year earlier. The average holding rose from 82 to 84 shares. No individual owned as much as 1% of the Company's stock.

There were 4,300,000 shares of stock outstanding at the end of the year, as compared with 4,291,000 shares a year earlier. During the year the Company purchased 88,998 shares. It sold 6,000 shares which had been set aside to cover options granted in 1945 and 1946 under the Officers and Employees Stock Option Plan, and

reissued 91,998 shares of treasury stock for the acquisition of several new businesses.

Canada THE BORDEN COMPANY, LIMITED, showed an improvement. There was little change in dollar sales, but profits rose above the unsatisfactory figure of 1949. Our rate of profit was 2 cents per dollar of sales, as compared with only 1.5 cents in 1949. While profit margins widened they are still considered to be inadequate.

Operating efficiency was improved by the purchase of new equipment for the development of new business as well as for replacements. We increased our original authorizations for capital expenditures to provide a total budget of \$1,150,000 for the year. A budget of \$1,016,205 has been approved for these purposes in 1951.

The Employees Although it is difficult to generalize about a Company as widespread and with interests as varied as our own, employees appeared to have a better understanding of the problems of the business. Such an understanding is important if these problems are to be solved in a manner that furthers the interests of all concerned—the public, as well as employees and stockholders.

In our employee relations, the long service records of Borden workers are significant. With the initiation of 469 employees in 1950, the membership in our Quarter Century Club rose

Elsie the Cow won a singular honor last September at the New York State Fair when she was made an honorary chief of the Seneca Indians. Here, Chiefs Nick Bailey (left) and Harry Patterson dub her Chief Gayohosqueeyo, or Good Cow.



to 4,801 of whom 4,214 are still employed and 587 retired. Of the total membership, 318 served the Company between 40 and 50 years and 19 a half century or more.

Participation in our contributory Group Insurance Programs, which is voluntary, was higher than ever before. The benefits paid reached a new peak. Group Life Insurance covered 21,187 employees and \$596,900 was paid in death benefits. There were 14,735 insured in our Group Accident & Health and Accidental Death & Dismemberment plans; benefit payments totaled \$223,874.

Despite the increase in total man hours worked and miles traveled in 1950, good cooperation in our Safety Program resulted in a low frequency of employee injuries and vehicle accidents. The rates compared favorably with the records established in 1949.

Advertising Promotion continued along two main lines: First, a series of hard-hitting campaigns to sell specific products; second, an all-BORDEN program intended to induce satisfied users of one BORDEN product to try—and ultimately accept — other products of the same brand.

The change-over of this all-BORDEN campaign from national to local radio was completed. Thus, our radio and television advertising was concentrated in marketing areas that carry the greatest promise of sales. During the year we used 129 radio stations in 110 cities, and 144 television spots in 32 cities. In addition, facilities of the NBC network were engaged for a TV program advertising BORDEN'S PURE INSTANT COFFEE.

While our magazine advertising featured individual products more strongly than before, we continued multi-product promotion featuring Elsie the Cow. Her popularity and effectiveness as a BORDEN saleswoman remained high. Evidence of continued interest in Elsie is the fact that more than 1,600,000 people came to see her during her 1950 travels.

Litigation The Department of Justice started a study of the dairy industry. The Company is cooperating fully in this study.

Quite apart from this inquiry there are several actions in federal and state courts involving the

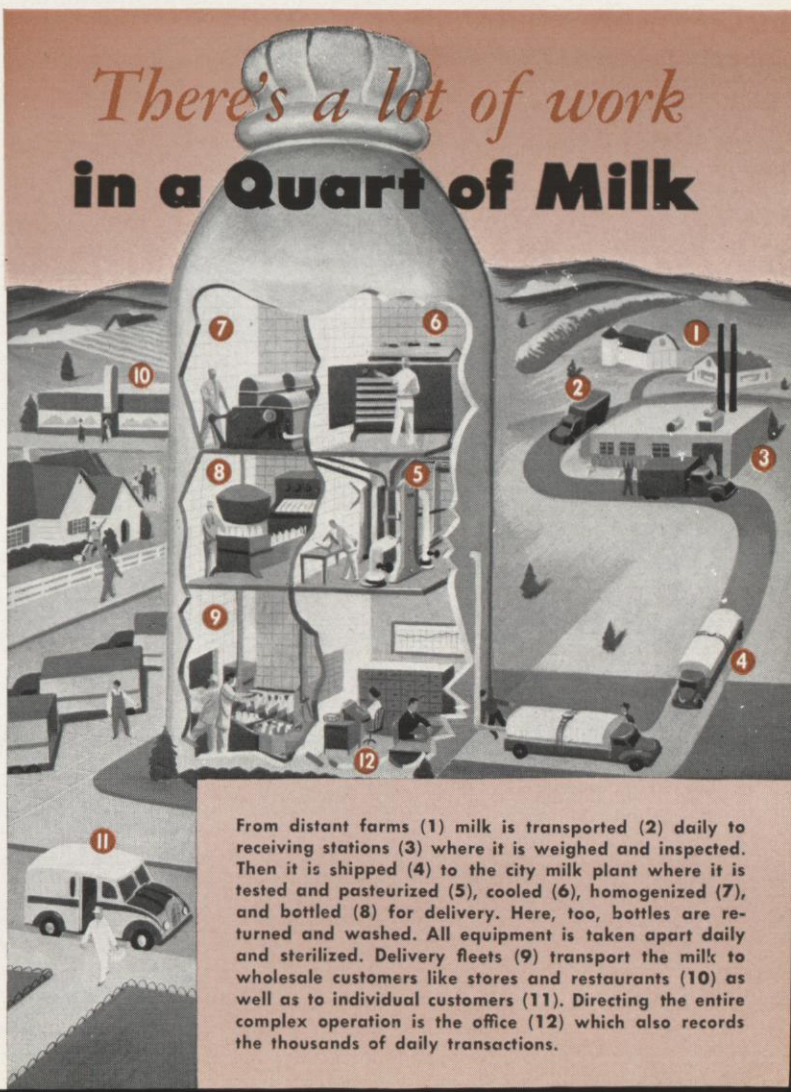
Company. There was no important change in the status of any of these cases during the year. Our intention to defend our position in all of them remains unchanged.

In Conclusion To all of the BORDEN people who worked hard and loyally in the Company's interest during 1950 I give my sincere thanks. I am grateful also for the aid and counsel of the other officers, and the Board of Directors by whose order this Report is submitted.

In the pages that follow are the Company's financial statements, the certificate of the independent auditors, more detailed information about our principal operating divisions, and an unusual and interesting article about the Company's place in our national economy.

Sheldon G. Montague

PRESIDENT



From distant farms (1) milk is transported (2) daily to receiving stations (3) where it is weighed and inspected. Then it is shipped (4) to the city milk plant where it is tested and pasteurized (5), cooled (6), homogenized (7), and bottled (8) for delivery. Here, too, bottles are returned and washed. All equipment is taken apart daily and sterilized. Delivery fleets (9) transport the milk to wholesale customers like stores and restaurants (10) as well as to individual customers (11). Directing the entire complex operation is the office (12) which also records the thousands of daily transactions.

The Borden Company

CONSOLIDATED

ASSETS

	December 31	
	1950	1949
CURRENT ASSETS:		
Cash	\$ 37,397,426	\$ 42,448,310
United States Government Securities	9,279,250	20,952,162
Receivables	36,875,871	29,646,905
(Less Reserves—1950, \$3,244,827; 1949, \$3,097,687)		
Inventories (Note 2):		
	1950	1949
Finished Goods	\$32,011,545	\$34,132,197
Materials and Supplies	28,364,261	20,326,250
Total (certain products at Income Tax Lifo basis adopted as of January 1, 1950)	\$60,375,806	\$54,458,447
Less excess as of January 1, 1950 of Tax Lifo basis over book Lifo basis previously adopted	5,469,633	5,469,633
	54,906,173	48,988,814
Total Current Assets	<u>\$138,458,720</u>	<u>\$142,036,191</u>
INVESTMENTS AND OTHER ASSETS:		
Unconsolidated Subsidiaries (Foreign and Domestic)	\$ 4,095,741	\$ 3,218,875
United States and Canadian Government Securities on Deposit	846,946	847,287
(Pursuant to Workmen's Compensation Laws, etc.)		
Mortgages, Receivables, etc. (Note 5)	5,899,351	6,105,979
Total	\$ 10,842,038	\$ 10,172,141
Less Reserves	1,085,761	1,410,389
Net Investments and Other Assets	<u>\$ 9,756,277</u>	<u>\$ 8,761,752</u>
PROPERTY AND EQUIPMENT	\$196,471,088	\$181,709,298
Less Reserves for Depreciation	86,900,462	81,504,208
Net Property and Equipment	<u>\$109,570,626</u>	<u>\$100,205,090</u>
DEFERRED CHARGES	\$ 1,238,387	\$ 1,069,321
TRADE-MARKS, PATENTS AND GOOD-WILL	\$ 1	\$ 1
TOTAL	<u>\$259,024,011</u>	<u>\$252,072,355</u>

See Page 9 for notes to financial statements.

AND CONSOLIDATED SUBSIDIARIES

BALANCE SHEET

LIABILITIES

	December 31	
	1950	1949
CURRENT LIABILITIES:		
Accounts Payable	\$ 26,459,818	\$ 25,140,283
(Including current maturities of 1¾% Promissory Notes— \$1,400,000 in each year)		
Accrued Accounts:		
Taxes (after deducting Treasury Savings Notes equal to provision for Federal Taxes on Income—1950, \$15,300,000; 1949, \$12,750,000)	3,265,999	2,685,660
Other	7,377,798	7,556,354
Total Current Liabilities	<u>\$ 37,103,615</u>	<u>\$ 35,382,297</u>
LONG-TERM NOTES PAYABLE:		
1¾% Promissory Notes	\$ 29,400,000	\$ 30,800,000
3% Promissory Note	15,000,000	15,000,000
Total Long-term Notes Payable (Note 3)	<u>\$ 44,400,000</u>	<u>\$ 45,800,000</u>
RESERVES:		
Insurance Reserves	\$ 7,435,296	\$ 7,408,144
Other Reserves	3,815,788	3,721,974
Total Reserves	<u>\$ 11,251,084</u>	<u>\$ 11,130,118</u>
CAPITAL STOCK AND SURPLUS:		
Capital Stock—par value \$15 per share—Authorized 8,000,000 shares; Issued 4,417,958 shares	<u>\$ 66,269,370</u>	<u>\$ 66,269,370</u>
Capital Surplus	<u>\$ 14,380,667</u>	<u>\$ 14,304,440</u>
Earned Surplus (Earnings retained for use in the business):		
Appropriated (Note 4):		
For Contingencies	\$ 2,000,000	\$ 2,000,000
For Possible Inventory Price Declines	5,000,000	5,000,000
For Losses on Unusual Property Disposals	5,000,000	5,000,000
Total Appropriated	<u>\$ 12,000,000</u>	<u>\$ 12,000,000</u>
Unappropriated	<u>\$ 77,326,831</u>	<u>\$ 71,260,342</u>
Total	<u>\$169,976,868</u>	<u>\$163,834,152</u>
Less Treasury Stock—At Cost:		
1950, 117,958 shares; 1949, 126,958 shares (Note 5)	<u>3,707,556</u>	<u>4,074,212</u>
Capital Stock Outstanding (1950, 4,300,000 shares; 1949, 4,291,000 shares) and Surplus	<u>\$166,269,312</u>	<u>\$159,759,940</u>
TOTAL	<u><u>\$259,024,011</u></u>	<u><u>\$252,072,355</u></u>

The Borden Company

STATEMENT OF CONSOLIDATED NET INCOME

	Year Ended December 31	
	<u>1950</u>	<u>1949</u>
NET SALES	\$631,114,120	\$613,763,267
OTHER INCOME:		
Interest, Dividends and Royalties	1,039,579	768,317
Rentals, less expenses of properties rented or unessential to operations	268,059	213,259
Other	<u>457,204</u>	<u>482,555</u>
TOTAL	<u>\$632,878,962</u>	<u>\$615,227,398</u>
LESS:		
Cost of Goods Sold	\$547,746,231	\$531,351,621
Selling, General and Administrative Expenses and Other Charges	48,204,982	48,052,834
Interest Expense	1,049,511	1,061,702
Provision for Federal and Dominion Income Taxes	<u>15,731,165</u>	<u>12,870,762</u>
TOTAL	<u>\$612,731,889</u>	<u>\$593,336,919</u>
NET INCOME	<u>\$ 20,147,073</u>	<u>\$ 21,890,479</u>

STATEMENT OF CONSOLIDATED EARNED SURPLUS (Unappropriated)

EARNINGS RETAINED FOR USE IN THE BUSINESS

	Year Ended December 31	
	<u>1950</u>	<u>1949</u>
BALANCE AT BEGINNING OF YEAR	\$ 71,260,342	\$ 61,491,504
ADD:		
Net Income	<u>20,147,073</u>	<u>21,890,479</u>
TOTAL	<u>\$ 91,407,415</u>	<u>\$ 83,381,983</u>
DEDUCT:		
Dividends paid (\$2.80 a share in 1950 and \$2.70 a share in 1949)	\$ 12,019,910	\$ 11,593,320
Write-off of Good-will Purchased during the Year	<u>2,060,674</u>	<u>528,321</u>
TOTAL	<u>\$ 14,080,584</u>	<u>\$ 12,121,641</u>
BALANCE AT END OF YEAR	<u>\$ 77,326,831</u>	<u>\$ 71,260,342</u>

See Page 9 for notes to financial statements.

AND CONSOLIDATED SUBSIDIARIES

STATEMENT OF CONSOLIDATED CAPITAL SURPLUS

	Year Ended December 31	
	1950	1949
BALANCE AT BEGINNING OF YEAR	\$ 14,304,440	\$ 14,271,327
Credits arising through disposal or utilization of properties previously written off against Capital Surplus	76,227	33,113
BALANCE AT END OF YEAR	<u>\$ 14,380,667</u>	<u>\$ 14,304,440</u>

Notes to Financial Statements

(1) BASIS OF CONSOLIDATION:

The financial statements include all Canadian subsidiaries and all domestic subsidiaries except one whose operations are not integrated with those of the Company. The Company's share (approximately \$1,350,000 for 1950, and \$600,000 for 1949) in the net income of unconsolidated foreign and domestic subsidiaries is included in the Statement of Consolidated Net Income only to the extent of dividends received (in 1950—\$200,000; in 1949—none).

In consolidating the accounts of Canadian subsidiaries, current assets and liabilities were converted at exchange rates prevailing at the close of each year; other net assets were included at parity of exchange; and net income was converted, generally, at exchange rates prevailing at the close of each month.

(2) INVENTORIES:

In valuing inventories and in determining the cost of goods sold, average costs (reduced to market if lower) were used, except as to certain products for which the last-in, first out (Lifo) method was used. For the years from 1939 to 1949, inclusive, the Lifo method was so used for accounting but not for income tax purposes. As of January 1, 1950 the Lifo method was adopted for income tax purposes for all of the products previously on the book Lifo basis plus certain other products. This necessitated restatement of inventory values as of December 31, 1949 on the Income Tax Lifo basis, resulting in Income Tax Lifo values which were \$5,469,633 more than the book Lifo values previously adopted. In the Consolidated Balance Sheet this latter amount has been deducted from the inventories, including those on the Income Tax Lifo basis, and can be utilized, for accounting but not for income tax purposes, if market prices of products on the Income Tax Lifo basis decline below values as of January 1, 1950.

(3) NOTES PAYABLE:

The 1¾% Promissory Notes mature \$1,400,000 in 1951, \$2,100,000 annually 1952 through 1955, and \$21,000,000 in 1956, and the 3% Promissory Note matures \$750,000 annually 1958 through 1967, and \$7,500,000 in 1968. The Company has agreed that it will not declare dividends or make other "stock payments" in excess of certain limitations expressed in the loan agreements. It is intended that these Promissory Notes will be retired out of the proceeds of Debentures to be sold in the year 1951, as referred to on page 3 of this Report.

(4) EARNED SURPLUS—APPROPRIATED:

These appropriations, previously designated "Surplus Reserves", were re-classified as of January 1, 1950.

(5) STOCK OPTIONS:

Capital stock of the Company held in the treasury at December 31, 1950 includes 39,500 shares reserved under the Officers and Employees Stock Option Plan as approved by the stockholders. Of the shares so reserved, 11,500 shares relate to options at \$36.25 a share granted on March 31, 1945 and expiring on March 30, 1955, and 28,000 shares relate to options at \$45.75 a share granted on January 3, 1946 and expiring on January 2, 1956. The option price in each case was \$1.00 more than the last sale on the New York Stock Exchange preceding the date of the issuance of said options.

During the year 1950, 6,000 shares were sold under the stock option plan for a total of \$269,750, of which \$226,462 is outstanding at December 31, 1950 and is included with Mortgages, Receivables, etc.

(6) DEPRECIATION:

Provision for depreciation charged to operations was \$10,366,594 for 1950 and \$9,661,874 for 1949.

(7) CONTINGENCIES:

The Company was guarantor of bank loans to foreign affiliated companies in amounts aggregating approximately \$1,600,000 at December 31, 1950. See comment on page 5 of this Report for reference to litigation.

(8) FEDERAL INCOME TAX:

Federal Income Tax returns for the Company have been examined and cleared for the years up to and including 1943. Returns for years subsequent to 1943 have not yet been examined by the Bureau of Internal Revenue.

Accountants' Certificate

250 PARK AVENUE
NEW YORK 17

HASKINS & SELLS
CERTIFIED PUBLIC ACCOUNTANTS

March 6, 1951.

THE BORDEN COMPANY:

We have examined the consolidated balance sheet of THE BORDEN COMPANY and Consolidated Subsidiaries as of December 31, 1950 and the related statements of consolidated net income, earned surplus, and capital surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and statements of consolidated net income, earned surplus, and capital surplus, with the notes pertaining thereto, present fairly the financial position of the companies at December 31, 1950 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles, which, except for the extensions, which we approve, of the Lifo inventory method as referred to in Note 2 to the Financial Statements, were applied on a basis consistent with that of the preceding year.

Haskins & Sells

The Ice Cream Division

THE RESULTS of our ice cream business were not as favorable as 1949. Total gallonage and dollar sales were slightly higher, but our profits declined.

The inability of sales prices to keep pace with the advancing costs of an inflationary period affected profits. Lowered sales volume in some operations was a contributing factor. Costs of supplies began rising early in the spring and raw product costs in mid-summer. Service costs were generally higher throughout the year. Traditionally, ice cream prices lag behind costs, largely because of an understandable hesitancy to raise prices in so highly competitive a business. Thus, price advances were delayed and, in some instances, failed to cover the advancing costs.

These factors were offset to some extent by the development of promising new territory. We expanded our operations to cover large and populous areas in Alabama, Georgia and South Carolina. Located in a region having a good sales potential, these newly acquired units had a limited effect on this year's results but should make a better contribution in 1951.

The future of our ice cream business now appears brighter than at any time during the last several years. LADY BORDEN, our premium product, continues to be a popular item. National consumption of ice cream, which declined again in 1950, is now closer to its normal relationship with buying power than at any time since 1942. Moreover, economists note the approach of conditions similar to those which contributed to the spectacular climb in consumption during the war years. Barring an all-out war or a very grave national emergency which might curtail supplies, the outlook indicates improved conditions.

Drug and ice cream stores in 31 states and two Canadian Provinces sell BORDEN brands of bulk and packaged ice cream and novelties. They are also served in schools, restaurants, and other public eating places. Lady Borden Ice Cream is sold in chocolate, strawberry, vanilla and favorite local flavors.





Vitamin-mineral fortified milk, in the extra-protective amber bottle, is being added to BORDEN'S line of fresh milks, cream and dairy specialties sold on home-delivery routes and in food stores in 20 states and two Canadian Provinces. In some areas this new milk is sold as Gail Borden Signature Quality Milk.

The Fluid Milk División

THIS DIVISION sold its greatest volume of products to date. Intensive selling, strong merchandising, and population growth in operating areas contributed to progress. Dollar sales, however, were about the same as in 1949 and profits declined.

Dollar sales and profits were impaired by the New York City price war which continued through the year. While our position improved, we could not restore the slender margins which characterize this market, and our largest operating district sustained a loss. Fortunately, the Division is less dependent than formerly on the metropolitan area because more volume has been developed in other cities.

Expected manpower shortages were offset by new efficiencies and processing was improved by new equipment and better plant layout. Adoption of three-times-weekly deliveries, placing operations on a six-day instead of a seven-day basis, conserved manpower in many markets and tended to hold retail prices in a period of rising costs.

Increased sales of specialty items improved distribution by raising the volume of goods sold per home delivery stop. Home deliveries accounted for a smaller percentage of total sales, declining primarily in New York and Chicago, but holding up well elsewhere.

Our sales area was expanded. New units were acquired in Augusta and Macon, Georgia. Our long distance distributing program was expanded in many districts. Such routes opened a new territory in the Lower Rio Grande Valley of Texas.

We continued our study of fresh concentrated milk and developed a product comparing favorably with the flavor of fresh milk. Before marketing this product generally we must, however, find ways of getting it to consumers at a price attractive enough to develop a sound demand for it. A similar concentrate, incidentally, was originated in 1857 by Gail Borden, the Company's founder, and marketed by us for 88 years — until 1945.

The Cheese División

OUR CHEESE DIVISION's business was better than in 1949. While dollar sales changed little, volume improved and profits increased considerably. Less tangible, but important in the long run, were indications that the BORDEN brand, known to cheese consumers for only 20 years, had won a firm place in public favor. Our sales were about 20 times those of 1928, when we first engaged in the cheese business.

Many factors contributed to our sales growth. Cheese consumption was up again in 1950, stimulated by vigorous promotion and prices which encouraged use of the product. Assuring BORDEN's its share of a widened market were: the introduction of new items; steady improvements in products, particularly in our cream cheese; effective advertising and merchandising; and the development of a stronger distributing network.

Distributors who were hesitant to handle our products when they were little known are now promoting them vigorously. Consumer demand has made our line more popular. At the same time, better distribution has brought better sales. To assist our distributors, we introduced a new and promising product—BORDEN'S ENRICHED BISCUITS. This new product provides distributors with added volume which enables them to operate their refrigerated trucks more profitably. Manufactured in newly established plants in Los Angeles, California and Atlanta, Georgia the biscuits have been welcomed by consumers.

Profits of our Cheese Division improved for several reasons. We suffered no serious loss in inventory values, such as those occurring in 1949. Our more profitable items showed some of the best sales increases. Our new Pacific Cheese Division, which lost money while it was being developed began to show strength and should be profitable in 1951.

Cheese production was high, particularly during the early part of the year when it was stimulated by Government support prices. Later, production declined as milk was diverted to other products. Prices on the primary cheese market rose above the support level. Cheese stocks dropped and we ended the year with inventories lower than at the close of 1949.

BORDEN brands of cheese and cheese specialties include Liederkranz Brand Cheese, Military Brand Camembert, Domestic Gruyere, Pippin Roll, Vera Sharp Aged Natural Cheddar, BORDEN'S Swiss, BORDEN'S Cream Cheese and Dutch Maid Brand Limburger. Also, many varieties of processed cheese foods.





America's market baskets include such BORDEN manufactured foods as condensed milk, evaporated milk, instant coffee, fortified food drinks, malted milk, powdered milk, mince meat, powdered chocolate drink and powdered fruit juices. Also sold are powdered products in bulk for the food processing industry.

The Manufactured Products División

OPERATING RESULTS of this Division showed a marked improvement over 1949. There were substantial increases in both dollar sales and tonnage handled, and profits were better. Costs followed an upward trend also, but their effect was offset in part by improved manufacturing facilities and techniques.

Good progress was made by the Grocery Products Department, which handles domestic

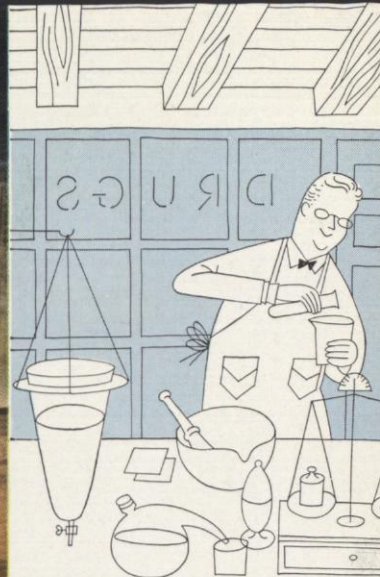
sales of the Division's consumer products. BORDEN'S PURE INSTANT COFFEE held its position well as soluble coffees gained a greater share of the total coffee market. Distribution of STARLAC, our packaged non-fat milk powder, was broadened to include the country's principal markets. Sales of evaporated milk rose. We regained much of the malted milk business lost because of World War II shortages, and sales of our mince meat reached an all-time high. The only major product which failed to show a good increase was condensed milk.

The Dry Milk Department, supplying bakers, confectioners and other food manufacturers, showed increases in its sales of bulk dry milks and dried lemon and orange juices.

Operating in a troubled world, the Export Department did well. Sales volume exceeded that of any previous year. Yet, sales were hampered by dollar shortages, import controls, competition from low-cost producing areas and the United Nations' free distribution of milk powder, much of which had been acquired by the U. S. Government under its price support program. But the unfavorable factors were offset by milk shortages in some countries, an improvement in living standards abroad, the established place held by our products, and aggressive efforts on the part of our export organization.

In foreign lands, BORDEN'S best known product is *Klim* whole milk powder. On Ivory Coast, Explorer Hassoldt Davis gives Guere acrobatic dancers a treat as Baoule guard looks on.





Two new infant foods, *Bremil* and *Infose*, joined our list of prescription products which are marketed through neighborhood drug stores and principal pharmaceutical houses throughout the United States and Canada. These include modified milks for infants, and dietary aids for people of all ages.

The Special Products División

DOLLAR SALES and profits of the Special Products Division both improved.

Conditions which had hampered our soy bean processing operations in 1949 changed for the better. Our processing plant at Waterloo, Iowa resumed full operation after the completion of a program to modernize and expand it. The price relationship of soybeans to oil and meal improved in the last quarter of the year and restored normal margins. These developments helped our soy processing business to contribute substantially to the Division's profits.

On the other hand, our Animal Foods Department, which had made good progress in 1949, suffered because of unsettled farm conditions. Unsatisfactory prices for poultry and eggs discouraged the use of feeding supplements. Demand for these products was further reduced by a late and mild autumn which curtailed the seasonal need for them. A sharp upturn in orders toward the close of the year indicates better conditions in 1951.

We sold the last of our fishing operations. Acquired early in World War II, when vitamin A supplies were scarce and costly, these operations declined in importance as synthetic vitamin A from cheaper sources became available.

Several new and promising products were developed but not in time for them to be mer-

chandised in volume. They include: *BREMIL*, a powdered modified milk embodying the newer knowledge of the nutritional requirements of infants deprived of human milk; *INFOSE*, a carbohydrate syrup derived from apples and used with milk in infant feeding formulas; and, in an entirely different field, *E-Z CHEEZ* for the commercial baking of cheese cake.

Accessory feeds for farm animals and poultry are sold in bulk to feed mixers. Packaged dog foods and Ration-aid feed supplements are sold to retailers of kennel and farm supplies.





Makers of telephones, fine furniture, metal castings and a host of familiar items rely on BORDEN'S plastic molding compounds, foundry core binders and industrial adhesives. Sold at retail is a variety of packaged glues for household use. Cascorez is now available only for the manufacture of defense goods.

The Chemical Division

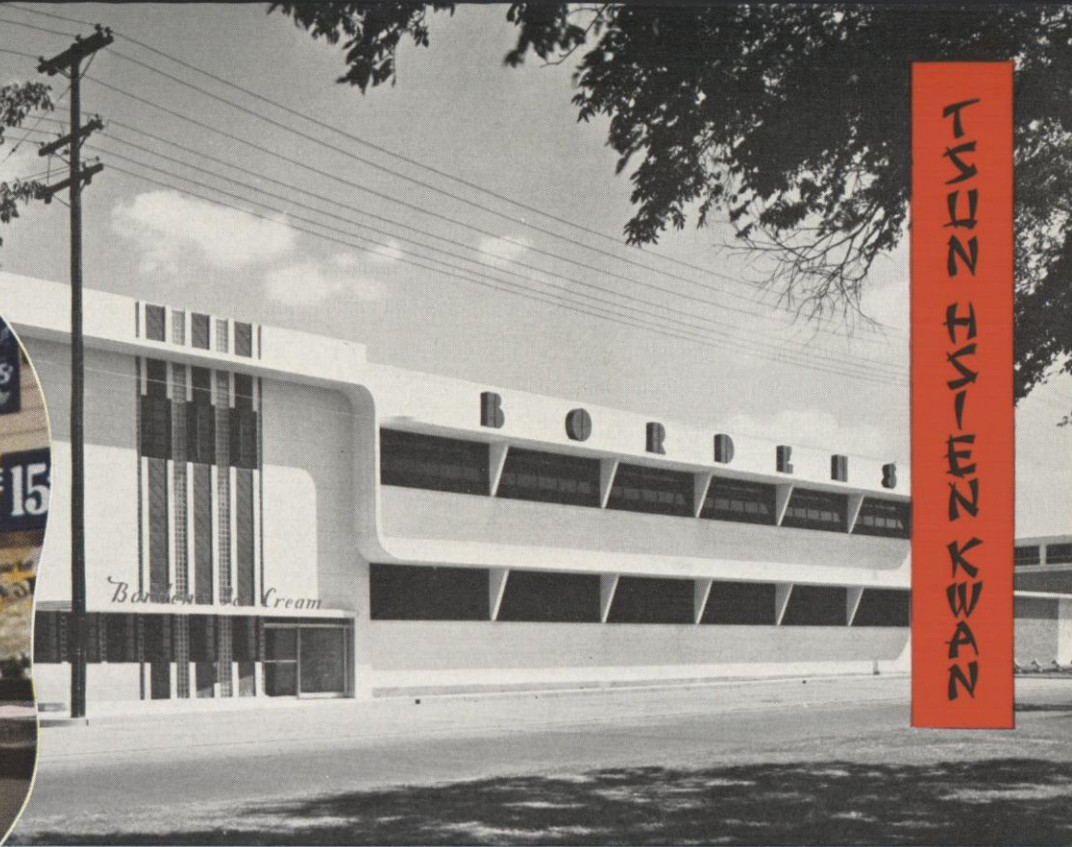
THIS DIVISION enjoyed the best year in its history during 1950. Both sales and profits reached all-time highs. At the year's close, its plants were running at near-capacity. Shortages of some materials prevented full production.

We were well prepared for this upturn in business. A plant development program, which had been started in 1949, continued through the year. Enlargement of our DURITE plant at Philadelphia allowed a 50% increase in the manufacture of molding compounds. We doubled the capacity of our glue-making operation at Kernersville, North Carolina and our formaldehyde plant at Bainbridge, New York. We paved the way for broadened operations at Bainbridge by taking over the Company's former milk sugar plant there. Other facilities became available when we transferred our package glue operations to Union, Illinois.

On the sales side, we established a new Technical Service Department and carried on sales training programs, preparing our sales force to handle all products of the Division instead of operating on a specialized basis as formerly.

Although national rearmament has affected our business little to date, future orders will come chiefly from customers manufacturing for military purposes or supplying essential civilian needs. There will be an increased demand for our phenolic molding powders as plastics replace metals, and for adhesives as plywood and laminated wood construction take the place of steel and aluminum. Increased casting of metals themselves should result in a greater demand for synthetic resins for foundry binders.

Our Chemical Division will be more important in the defense program than it was a decade ago because its plant capacity is now four times greater. The shortages which recently limited our output are expected to lessen as the production of important basic chemicals is expanded and other scarce materials are obtained through governmental priorities to the essential manufacturers whom we supply. There is little doubt that our plants will operate at full capacity during the coming year.



... gets a taste of America

FOR GENERATIONS a friendly America has sheltered people driven from their homelands by oppression. Today, the foreign students in our colleges and universities include hundreds from countries on which the Iron Curtain has dropped. These young people are warmly regarded by tolerant Americans who recognize that ideas — and not national differences — have split the world into two camps. So, the Iron Curtain is forgotten, and students of other lands are welcomed to participate in the capitalist democracy that is America. In acquainting these visitors with our country's beliefs and institutions and freedoms, Americans hope that the students can turn the knowledge acquired here to the task of rebuilding their homelands when they are free again. And there is also the hope that they will establish in distant places a friendly and better understanding of the country that gave them asylum.

One of these student visitors has had a unique opportunity to study America. She is Tsun-Hsien Kwan, a native of Tientsin, China. At 23, she has seen more of life than most young people. The daughter of Sung-Sing Kwan, a successful architect and graduate of Massachusetts Institute of Technology, she was reared in Shanghai. She was a witness to Japanese bombings and invasion, watched family fortunes depleted by inflation, and finally fled before the threat of Communism.

Mr. Kwan was, at last reports, with the Free Chinese on Formosa. Tsun-Hsien is studying at Cornell University, where she majors in nutrition. Known to her classmates as *Sunshine*, she shares the freedom that Americans enjoy in their thinking and working. She has advanced beyond most of her fellow-students — she has studied at first-hand the workings of an American corporation, one of the thousands of economic units playing an important but little-understood role in American life.

That corporation is, of course, THE BORDEN COMPANY. What Tsun-Hsien learned, as she met BORDEN people the country over, is told in the pages that follow.



Many young Americans who can take a car apart and reassemble it know very little about the economy that produced it. Perhaps they would like to share Tsun-Hsien's glimpse of the process that supplies their needs and comforts. We think this article will give them a better understanding of how a modern corporation operates. Reprints are available. Write: Borden's Stockholder Service Bureau, 350 Madison Avenue, New York 17, N. Y.



Florence and Fred Miller of Marengo, Ill. who have supplied milk to BORDEN'S for 48 years, show Tsun-Hsien original plant records of their first shipments to our Company back in 1903.

Above Left: BORDEN fieldman Dick Rintelmann explains the value of animal feed supplements to James Katzel of Hebron, Ill., who recently undertook the operation of his first dairy farm. Above Right: For three generations, this Hilliards, O. farm family has shipped milk to BORDEN plants. George Porschet (center) and son Mark (right) run original farm, while son Leroy (left) and grand-daughter, Wilma Hock have neighboring farms and also depend on BORDEN'S to market their milk. Fourth generation coming up includes Karen, Baby Diana, and Sharon Hock.

THE FIRST stop on Tsun-Hsien's tour was, quite properly, a dairy farm. While BORDEN's buys a wide variety of produce — soybeans, sugar, eggs, coffee and fruits — milk is the base of most Company products and the largest single purchase. Approximately less than 6% of the milk produced in America is handled by BORDEN's and some 55,000 dairymen look to the Company as a steady customer and their marketing agent.

Looking for the *typical* American farmer, Tsun-Hsien was surprised to find there is none. Men who sell to BORDEN's range from tenant farmers, whose number has diminished steadily over the years, to operators of the large intensified dairy farms of California, Florida and Texas. Most milk comes from family farms in the great Midwestern dairying areas. And dairymen everywhere are enterprising, independent businessmen — capitalists

investing toil as well as savings in their livelihood.

The dairymen appeared prosperous to Tsun-Hsien, who found dairying calls for skill and exacting work. But while other farmers must await the sale of an annual crop, dairymen receive their income regularly in monthly or semi-monthly checks. Supply and demand set the value of milk, Tsun-Hsien learned, but the Government influences prices to a greater degree every year.

Tsun-Hsien was interested in the relationship between dairy farmers and BORDEN's. Here she found friendly buyers and sellers, the customer working to help the vender. BORDEN's fieldmen call regularly to help to solve the farmer's problems. The Company brings the latest farming information to him in a monthly magazine. And the dairyman responds by using greater care in his work and turning out better milk for BORDEN's customers.

Except for the friendliness, a Chinese business tradition, all this was new to Tsun-Hsien. There are few dairy farms in China, where milk is a luxury, used only by the very young and the very old.



Visiting farmers . . .



Above Left: Harold V. Haines, star BORDEN ice cream salesman of Cedar Lake, Ind. was recently elected National Commander of the American Legion's "40 and 8." Scrapbook tells Tsun-Hsien his record of public service. Above Right: It's a family affair at Bridgeport, Conn. where truck painter Clarence Carter, Sr. and his four sons all work in the BORDEN plant. The boys (l. to r.) are George, Clarence, Jr., Daniel and Harry. There are many family teams in BORDEN'S, but the Carters probably hold the record.

WHEREVER Tsun-Hsien went she marveled at the machines that are the mainstay of American life. But, moving from one BORDEN plant to another, she discovered that it takes more than stainless steel and concrete to make a company. BORDEN'S most important asset is the 32,000 people who work in its offices and plants.

One universal test of a good employer is how long people stay in his service. Accustomed to the stability of employment that marked old China, Tsun-Hsien was delighted to find a counterpart at BORDEN'S. Here was a Quarter Century Club with a membership of some 4,800, of whom 300 had service records of 40 years or longer!

Almost every executive whom the Chinese co-ed met wore the Club's diamond pin — evidence that the way to promotion is open to the able and hard-working members of the organization.

Who works for BORDEN'S? On the payrolls Tsun-Hsien noted scores of occupations. Route salesmen — the "milkmen" supplying homes and stores — are the largest group. But also represented are such diverse skills as those of the accountant, bean-buyer, chemist, engineer, home economist, lawyer, mechanic, printer, veterinarian, and welder. Here is a real cross-section of America. Brought together as a group, the BORDEN employee force could provide virtually all the skills needed in the daily life of a modern community.

Here among the employees Tsun-Hsien found qualities of leadership. Working in all the 48 states and dozens of foreign countries are hundreds of BORDENITES who hold posts of honor in their communities or their respective crafts or professions. An indication of the kind of people they are is the selection of 18 BORDEN people for Pasteur Awards recognizing heroic public service.

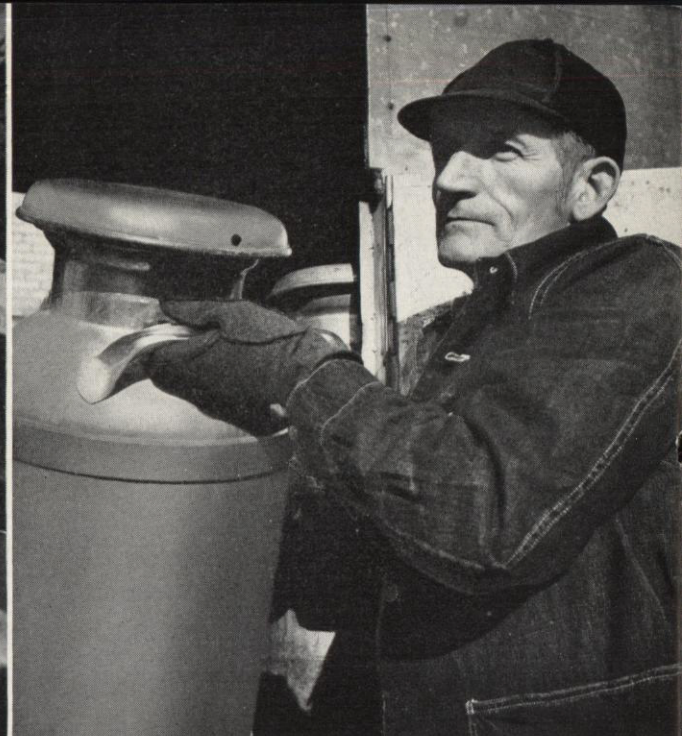
Reversing an old adage, Tsun-Hsien came to this conclusion: While a man may be known by the company he keeps, a company is known by the men it keeps.



While it may take as many as 17 people in as many different jobs to produce a quart of milk, most people think only of friendly BORDEN milkmen, like Donald Devine of Milwaukee, Wisc., who faithfully serve their daily rounds in fair weather or foul.

and Borden employees





Upper Left: For more than 25 years, Joseph H. White of Arena, Wis. has supplied his 70-pound wheels of cheddar cheese to BORDEN'S. Some day he will be followed by his son, Gerald, who will operate the White's model Mill Creek cheese plant and continue the BORDEN relationship. Upper Right: Ira Anderson, veteran milk hauler of Pataskala, O. broke an amazing record last Winter, when a blizzard prevented him from delivering farm milk to the BORDEN plant at Columbus. First day he missed in more than a quarter century!



Ever since 1928, Stockholder Albion Buckingham, of Bridgeport, Conn. has relied on BORDEN'S as the principal customer for his truck repair and maintenance business.

BORDEN's has one of America's longest shopping lists. It's a varied list, too, because variety characterizes the Company's business. Tsun-Hsien found that BORDEN purchasing agents, unlike housewives who can buy all they need in a single department store, must call upon the services of thousands of business concerns throughout the country.

BORDEN suppliers include many of America's foremost companies but most purchases are from small businessmen, known only in their respective industries or to their neighbors on Main Street. The fact that most BORDEN business is local in nature accounts for the large number of small concerns supplying the Company. BORDEN managers explained to Tsun-Hsien that they usually prefer to buy supplies in plant cities. They turn elsewhere, however, when supplies are not available locally or the Company's needs are so great that substantial savings are made by buying in volume.

Aside from milk, the Company's chief purchases include coal, chemicals, tin-plate, sugar, green coffee, glass bottles and jars, paper containers and cartons, and trucks and gasoline. But Tsun-Hsien learned a BORDEN purchasing agent may, in his day's work, shop also for guinea pigs, kitchen utensils, heavy machinery, uniforms and flagpoles.

Tsun-Hsien met some unusual suppliers on her tour. There are, for example, the independent contractors, or haulers, who transport milk from farms to plants. There are hundreds of cheese plants, owned by farmers' cooperatives, many selling their entire output to BORDEN's. The Company's wooden boxes and rubber mats are made by a group of blind workers in New York City. And servicing BORDEN's huge motor fleet are scores of small shops.

The work of BORDEN purchasing agents, Tsun-Hsien noted, is similar to that of a housewife buying for her family. The shopping list is longer and the expenditures many thousand times more. But the problem of rising prices and a budget must be faced. On the pleasant side are the friendly relations with suppliers, valued by purchasing agents and housewives alike.

Borden suppliers . . .



Right: One BORDEN customer who really knows the value of dairy foods is Zelia L. Kester, chief dietitian, Indianapolis General Hospital. This visit was of special interest to Tsun-Hsien, who is studying nutrition. Extreme Right: In Hammond, Ind., Mrs. Harry C. McCloud puts her faith in nationally-branded foods like BORDEN'S. Her daughter, Mrs. Ed Dargewich, who follows her example — has been aware of Elsie the Cow ever since childhood.



Below: The Walter C. Morgans of Milwaukee, Wisc. have patronized BORDEN'S Gridley Dairy for 43 years. Here, they exchange views with Tsun-Hsien, who visited their home on recent tour.

A NATION of prudent shoppers, Americans are loyal to tried and tested brands of merchandise. This is an old Chinese custom, too. So, Tsun-Hsien was not surprised to hear of a New York family that has been a steady customer ever since Gail Borden himself delivered his first product to great-grandmother's doorstep in 1857.

BORDEN'S No. 1 customer is the American Family, whose purchasing agent is, of course, the American Housewife. But as Tsun-Hsien learned more about the business she also learned about the many other kinds of customers the Company serves.

She was impressed by the fact that about a million American homes buy milk directly from BORDEN'S. Both milk and ice cream are sold to retail stores and restaurants. Other products — coffee, canned milk, mince meat and most cheeses — are handled by distributors who serve the retail trade. Many items are sold direct to food manufacturers for use in their products. Industrial customers buy plastic molding powders, feed supplements and glues. And there are exports to Tsun-Hsien's friends on Formosa, as well as to a hundred other distant places.

The lady on Main Street gets six quarts of milk delivered at her doorstep. And a plywood mill buys 400,000 pounds of glue a year. In buying, each of these customers has BORDEN'S and many of its competitors' products to choose from. Why do they select BORDEN'S? The BORDEN people whom Tsun-Hsien met like to think it's because they work hard to turn out good products and give the best service to customers. They point proudly to the fact that more food carries the BORDEN label than is sold under any other brand in the world!



Below: Young Peter Jones of Columbus, O. is a relatively new customer. Today, he insists on a BORDEN "Skyrocket." In years to come he may, as a business man, demand our industrial products.



and customers, too!





Below: Stockholder Ernest Sprinkmann of Milwaukee, Wisc. and son William explain that BORDEN'S has been a steady customer of their insulation business over 25 years.



Left: To perpetuate parishioners' contributions Charles A. Brewer, Treasurer of Olivet Congregational Church, Bridgeport, Conn. invests bequests to the church in sound businesses like BORDEN'S. **Right:** Company dividends help support institutions like Butler University at Indianapolis, Ind., where Tsun-Hsien is warmly welcomed by President Maurice O. Ross.



Below: Suzanne Barclay of Indianapolis, Ind., 15, daughter of a BORDEN employee, relies on dividends to help pay for education. Here she poses with her mother, Grace.



"WHO OWNS all this?" asked Tsun-Hsien, looking about one of the largest BORDEN plants. "Where did the money to build it come from?" The answer to these questions is, she found, the key to the American economy. All the plants — all the fine machinery, and office equipment and trucks — everything came from the savings of American capitalists. Without them, and their ability to earn and desire to save and profit by their savings, America could never have achieved greatness.

While such capitalists were being denounced by propaganda spread through China, Tsun-Hsien had a chance to meet some of BORDEN'S 51,000 stockholders face to face. She discovered that some are rich and others poor. Most of them are people of average means, like BORDEN employees and farmers.

Most Americans are capitalists, Tsun-Hsien concluded, whether they know it or not. They may own real estate or stocks or bonds. Lacking these, they probably have life insurance. And insurance funds are, to a large extent, invested in American corporations, such as BORDEN'S, making the policyholder an indirect stockholder with a direct stake in capitalism.

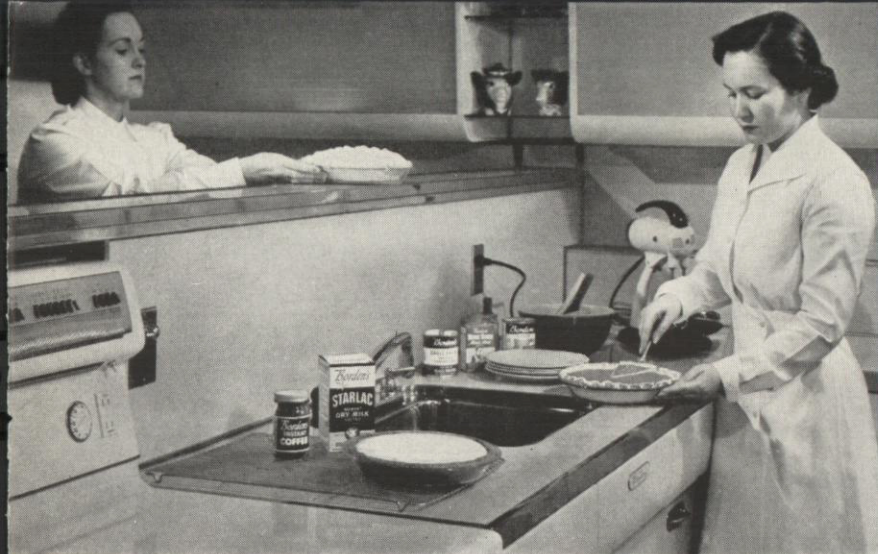
Tsun-Hsien saw how American capitalists provide the tools which other Americans must have for their jobs. The capitalists who own BORDEN'S are, for the most part, small investors. But they include also the investment trusts, which pool savings of many people, and schools and hospitals and churches which rely on investments to carry on much of their work.

What impressed Tsun-Hsien was the great number of investors and the small profit earned by American capitalists. In China, most businesses are family affairs and the profit must be very large to attract the necessary amounts of capital.

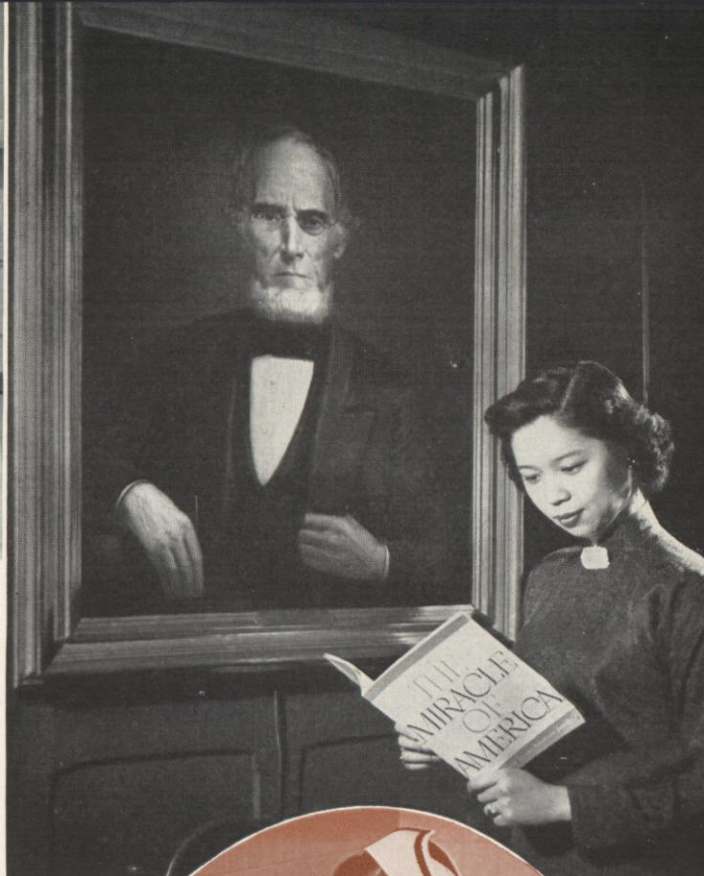
Here, in secure America where millions have savings to invest, it is different. Investors accept profits that are smaller but still provide the incentive to build the companies which in turn build America. The vastness of the country requires big companies, Tsun-Hsien decided, and big companies must depend on the savings of many small investors to create jobs and supply America with goods.



Finally, the investors . . .



Above: Consumers depend on the BORDEN KITCHEN for directions on how to get the best results with our products. The Company's home economists test foods under home kitchen conditions and also develop new uses and recipes which help sell Company products. Right: Tsun-Hsien meets our founder, Gail Borden, who typifies the spirit that brought about "The Miracle of America." Teacher, editor, inventor and founder of our Company, his work led to the modern dairy industry. Also, he was a Texas pioneer.



IN SEEING BORDEN's at work, Tsun-Hsien saw also America and its people. She saw them in true perspective, ending her trip with an understanding denied most strangers and shared by too few Americans.

Tsun-Hsien watched a free people thriving in an economy that serves their needs and satisfies their desires to an extent never known elsewhere nor at any other time.

BORDEN's is but a tiny segment of America, one of many thousands of economic units to which people look as a source of jobs and goods and profit — on which they depend as an outlet for their services and produce and savings. Tsun-Hsien will remember BORDEN's as typifying American business. To her "The Miracle of America" appeared as an indissoluble blend of democracy and capitalism. The two thrive together, and neither can survive the loss of the other.

As Tsun-Hsien traveled from town to town she found Americans troubled and alarmed by the shadow that has darkened China and so many other lands. But they were sympathetic toward the Chinese people. Nowhere was there a desire to impose American ways of living or thinking on other peoples. Everywhere there was determination to keep America itself free and to help others keep their freedoms.

Only a democratic and secure people can afford concern for the lives and liberties of their fellow men in other countries, Tsun-Hsien concluded. But the strength to protect freedom can be sustained only by the great industrial machine built by America's capitalists and operated by its free workers.

What Tsun-Hsien learned was filed in her orderly mind for future use in a China that some day will be free. But she also learned much that can be transplanted to no other land—the greatness that is uniquely American, based on long-established rights and freedoms, and in the spirit of our people.



A BORDEN customer from the very start, this day-old infant tries out something new — modified infant food which closely resembles human milk. BORDEN research will make other contributions to his health and life expectancy as he grows older.

and the America they help build



COMPARISONS FOR THE PAST FIVE YEARS

FINANCIAL

	<u>1950</u>	<u>1949</u>	<u>1948</u>	<u>1947</u>	<u>1946</u>
Net Working Capital	\$101,355,105	\$106,653,894	\$105,918,817	\$ 89,445,530	\$ 84,558,487
Ratio of Current Assets to Current Liabilities	3.73	4.01	4.28	3.74	3.43
Inventories	\$ 60,375,806*	\$ 54,458,447*	\$ 57,636,783	\$ 48,922,300	\$ 57,641,793
Net Property and Equipment	\$109,570,626	\$100,205,090	\$ 96,583,379	\$ 89,282,027	\$ 75,322,556
Borrowed Capital	\$ 45,800,000	\$ 47,200,000	\$ 48,600,000	\$ 35,000,000	\$ 25,000,000
Capital Stock, Surplus and Reserves.....	\$177,520,396	\$170,890,058	\$162,788,652	\$155,596,861	\$146,408,502

OPERATING

Sales	\$631,114,120	\$613,763,267	\$649,592,375	\$602,959,406	\$542,998,805
Net Income	\$ 20,147,073	\$ 21,890,479	\$ 19,179,427	\$ 19,793,276	\$ 19,581,006
Percent of Sales	3.19%	3.57%	2.95%	3.28%	3.61%
Per Share	\$ 4.69	\$ 5.10	\$ 4.46	\$ 4.61	\$ 4.64
Payrolls	\$113,004,008	\$109,780,054	\$106,131,433	\$101,175,326	\$ 89,000,822
Taxes	\$ 24,345,684	\$ 20,889,928	\$ 17,554,001	\$ 18,461,259	\$ 19,371,222
Depreciation	\$ 10,366,594	\$ 9,661,874	\$ 8,512,816	\$ 7,703,212	\$ 6,791,453
Earnings Put Back in the Business.....	\$ 8,127,163	\$ 10,297,159	\$ 8,234,542	\$ 8,986,176	\$ 10,072,106

OTHER

Common Shares Outstanding	4,300,000	4,291,000	4,300,000	4,292,000	4,217,000
Dividends to Stockholders	\$ 12,019,910	\$ 11,593,320	\$ 10,944,885	\$ 10,807,100	\$ 9,508,900
Per Share	\$ 2.80	\$ 2.70	\$ 2.55	\$ 2.55	\$ 2.25
Number of Stockholders	51,121	52,386	51,788	50,445	49,121
Number of Employees	31,545	31,166	31,483	32,399	31,475

*Before deducting Lifo adjustment of \$5,469,633. (Note 2, Page 9.)

"Here's what our Company did with its money, last year,"

SAID ELSIE, THE BORDEN COW

"WHAT'S *that*? Another Annual Report?" bellowed Elmer, the bull. "Why confuse folks with all those figures *again*?"

"Because careful investors, like the people who own stock in The Borden Company, really want to know how their Company is getting along," answered Elsie. "I'm sure that every woman investor who is a Borden stockholder will be glad to read that people bought more than 631 million dollars worth of the things that Borden produced in 1950."

"*Whew!*" whistled Elmer. "That's a heap of dollars' worth of vittles and such!"

"Uh-huh!" smiled Elsie. "And 95% of those vittles are bought by women — women who know how to handle money. You know—if it's Borden's—"

"Forget the sales talk!" snapped Elmer. "Forget who knows how to handle what! I got money invested in Borden's, too — those 2 shares of Beauregard's! And I want the low-down on how Borden's divvies up all the money."

"First off," explained Elsie, "Borden's paid more than \$308 millions of what they took in—to farmers. These farmers supply the milk and dairy products, the soybeans, fruit, eggs—the many, *many* things Borden's uses to make their wonderful products."



lions for operating expenses other than employees' salaries. For bottles, containers, fuel for plants and trucks—and remember, taxes and depreciation had to be figured in!"

"So add 'em up!" impatiently ordered Elmer.

"Well—," countered Elsie, "after paying farmers for produce, workers for work, and paying all operating expenses, about 20 million dollars was left."

"Don't tell me the \$20 millions went to the women stockholders!" slyly poked Elmer.

"No, silly!" laughed Elsie. "But more than 12 million went to the 51,121 stockholders—men as well as women—who look to Borden's for a return on their savings. And that's *that*!"

"Not so fast!" pounced Elmer. "What happened to the other \$8 millions?"

"Any woman who handles money would know," said Elsie, "that you need some of the profits to keep business going. To fix up plants and, maybe, build new ones. And trucks and machines and things do have to be replaced. And you have to advance credit to customers — you have to pay farmers and employees *before* you get your money from customers . . .

"In short," ended Elsie, "Borden's needs this money to go on providing really *good* things for all the people in the country. You know—if it's Borden's, it's *GOT* to be good!"

We've redone last year's prize-winning Annual Report Ad to show you how Borden's handled its money in 1950



"I'm glad Borden's paid all that money to the farmers," applauded Elmer. "Farmers really know how to handle money."

"Indeed they do!" agreed Elsie. "And I'm so glad for the farmers' wives that they get their checks from Borden's at least once a month. On many farms, you know, you have to wait for your money till the crop comes in. And what woman can wait till the end of the season for a new hat she wants to buy today?"

"*Buy, buy, buy!*" shouted Elmer. "Don't you women ever think of *earning* money?"

"Indeed, yes!" answered Elsie. "Look at the number of women who work for Borden's — including those grand women in the spick and span Borden Kitchen who create the recipes for all those glorious dishes! Borden's paid all its women and men employees more than 113 million dollars last year."

"I'm not interested in what Borden's paid *out*!" groaned Elmer. "I want to know what's left in!"

"But how can I tell you what's left in till I tell you what they had to spend?" asked Elsie. "Last year Borden's paid out \$190 mil-

